

Exhibit E

**Board of Supervisors Memorandum from Charles H. Huckelberry
Dated January 19, 2016**



Board of Supervisors Memorandum

January 19, 2016

**World View Enterprises, Inc. Corporate Headquarters in the County
Aerospace, Defense and Technology Research and Business Park**

Introduction

For the last six months, Pima County and Sun Corridor Inc. have been working to retain a technology company in Pima County. The codename for the company has been "Project Curvature." The County, City of Tucson, Sun Corridor Inc., and the Arizona Commerce Authority have all cooperated to provide Project Curvature certain economic development benefits to expand their facilities in Pima County (Attachment 1). The company name is World View Enterprises, Inc. The entrepreneurs that established World View previously launched another successful space research company in Pima County known as Paragon Space Development Corporation.

Pima County and the State of Arizona competed with the Florida Space Coast, as well as the State of New Mexico's Space Port America near White Sands. In the Florida case, Enterprise Florida assembled a package that included building and equipment financing, attractive lease rates, tax refunds and property tax abatements. New Mexico offered similar incentives and also included a substantial expenditure from their "deal closing" funds. Both locations had existing space ports with little need by the company or the jurisdiction to build additional resources or infrastructure.

There were advantages for World View to remain in southern Arizona and avoid moving costs, but the gap between the offer assembled by Sun Corridor Inc. and the economic development organizations in Florida and New Mexico was still in the \$15 to \$20 million range. For World View to retain their small but steadily growing operation in Tucson, the State and local governments needed to provide additional resources and incentives to keep the company from relocating.

We were notified on December 23, 2015 that World View had accepted the County's incentive proposal, as well as those of the Arizona Commerce Authority and the City of Tucson (Attachment 2). World View's acceptance of Pima County's proposal was contingent upon the County making its best efforts to deliver the manufacturing site by November 2016.

World View – A Space Technology Corporation

World View is a Tucson-based company pioneering the development of suborbital space flight, utilizing proprietary high-altitude balloon technology with parafoil controlled recovery

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to launch and recover from the same geographic area. This makes research, scientific and ultimately tourism flights more affordable, as well as minimizes risk to sensitive research equipment that exists with rocket-powered space flight and recovery.

World View has recently successfully negotiated multimillion dollar contracts with the National Aeronautics and Space Administration (NASA) and Northrop Grumman. World View anticipates significant additional demand based on commercial application of their suborbital space technology for tactical communications and surveillance. In addition, untapped potential exists with regard to space tourism.

The World View senior management team consists of Jane Poynter, Chief Executive Officer and Taber MacCallum, Chief Technology Officer; both founders of Tucson based Paragon Space Development Corporation and members of the first crew to live in Biosphere 2 for two years. Chief Scientist is Dr. Alan Stern, former NASA Associate Administrator for Science, and the Director of Flight Crew Operations is Astronaut Mark Kelly. Their advisory team includes many of the world's leading experts on nearspace science and balloon technology.

World View appears to have a business competitive space advantage to attract additional commercial clients, as well as aerospace and research institutions as the company has demonstrated the ability to a) provide suborbital, orbital, or a stationary instrument platform; b) maintain a sustained presence with continuous observation while far above controlled airspace; c) deploy quickly with flexible launch locations; and d) minimize deployment costs and recover the payload.

They will also have an advantage in space tourism because of a) non-traumatic launch to the edge of space in a unique eight-person sealed capsule; b) no significant health requirements or special suits; c) less expensive, safer, and gentler alternative; d) the ability to spend hours aloft; and e) gentle, controlled descent.

World View Job Growth Schedule

World View has selected Tucson and Pima County as their world corporate headquarters, and their primary employment base will reside within Pima County. Based on scheduled deliverable contract obligations, World View employment will grow substantially in the next five years. World View is expected to grow from over 25 employees to over 400 employees within the next five years and will pay on average \$55,000 per year, or 150 percent of the current annual wage in Pima County. These jobs are export-based jobs that have been our priority for job growth as designated in the County adopted Economic Development Plan for 2015 through 2017.

Economic and Revenue Impacts of the Project

Pima County, through its partnership with Sun Corridor Inc., requested an independent, third-party analysis of the economic and revenue impacts of World View's proposed operation. The analysis, conducted by Phoenix-based Applied Economics, estimated the total economic impact of World View's operations at approximately \$3.5 billion over the next 20 years.

Including the previously noted 400-plus direct jobs created by World View, the company's operations would directly and indirectly support a total of 840 jobs created in Pima County and generate an estimated \$38.7 million in annual personal income in our region. The 400-plus direct jobs expected to be employed by World View in 2020 would result in an annual payroll of in excess of \$25.3 million; and the additional 400 indirect jobs created in Pima County businesses would support an estimated \$13.5 million in payroll during that same time period. Construction of the new facility is expected to create 100 new direct construction jobs and 50 indirect jobs in Pima County and generate an estimated \$13.5 million in new construction activity. This would result in a one-time economic impact to our region of an estimated \$19.5 million.

In addition to its important stimulus of the local economy, World View's operations would also provide significant tax revenues to local governments during the 20-year period analyzed by Applied Economics. The direct and indirect revenue impacts to Pima County alone are estimated at \$10.7 million, with additional revenue for the City of Tucson, Regional Transportation Authority, Pima Community College and Sunnyside Unified School District.

Applied Economics' analysis concluded that World View's operation would provide significant economic development benefits for Pima County and create a large number of high paying jobs for our region. The complete economic and revenue analysis is Attachment 3 to this memorandum.

World View Headquarters Site Selection

As stated previously, Pima County has been working with World View for over six months on a proposal to retain them within the region. We have worked very closely with their Real Estate Representative, PICOR, to find a site that would be acceptable to World View. Of all the various sites reviewed, World View has chosen a location within the County's planned Aerospace, Defense and Technology Business and Research Park. The property

selected consists of 28 acres adjacent to the newly constructed Aerospace Parkway and south of Raytheon's new main south entry. The County has coordinated closely with Raytheon to ensure a new user such as World View is compatible with their operations. They have wholeheartedly endorsed the location of World View at the selected site. World View has had multiple discussions with the Air Traffic Control branch of the Federal Aviation Administration regarding the suitability of this site for launch operations.

The World View business model is consistent with our tenant goals for the Aerospace, Defense and Technology Business and Research Park. Their international clientele and involvement with a wide range of aerospace companies and the potential to attract suppliers make them a good initial tenant for the Park. World View also stands to be a major contributor to regional tourism with their international investors and client base and will be a high-profile tenant positioned along the Aerospace Parkway. Our property location very near Tucson International Airport is also beneficial for their client and investor base and is expected to contribute to Tucson Airport Authority and Fixed Base Operator revenues.

Facility Improvements Necessary to Retain World View in Pima County

As part of the County offer and incentive for World View, the County has proposed to construct a 120,000 square foot standard steel frame facility to accommodate light manufacturing operations on approximately 12 acres. The facility will include a 15,000 square foot mezzanine within the overall structure for office and support operations, for a total of 135,000 square feet of leasable space. The worksite will include parking and storage, as well as a 700-foot diameter launch pad. The total cost of the new facility – including all permitting fees, fees to be paid to the City of Tucson for transportation impact, payment for fixtures, furniture, equipment that are affixed to the structure – as well as facility construction, is estimated to be \$15 million and will be limited to no more than \$15 million – \$14.5 million for the manufacturing and administrative building and \$500,000 for the space port.

In our proposal, the County will finance this facility to be repaid by World View through annual lease and/or rent payments. The Lease/Purchase Agreement and legal description are Attachment 4 to this memorandum. Annual lease and/or rent payments are identified in Table 1 below and are compared with the County financing of the capital facilities, which will be through a 15-year Certificate of Participation financing agreement. The lease payments from World View will be over a 20-year period, with an option to purchase.

Table 1: Building Financing and Lease Payments.

	Paid by Pima County (at the end of the year)			Paid by World View	Excess (Deficit) of Amounts Paid by World View to Amounts Paid by Pima County	
Year	Principal	Interest	Lease Rate per square foot	Lease Payment	Period Deficit	Cumulative Deficit
1	\$ 749,116.51	\$ 600,000.00	\$ 5.00	\$ 675,000	(\$674,116.51)	(\$674,116.51)
2	779,081.17	570,035.34	5.00	675,000	(674,116.51)	(1,348,233.01)
3	810,244.41	538,872.09	5.00	675,000	(674,116.51)	(2,022,349.52)
4	842,654.19	506,462.32	5.00	675,000	(674,116.51)	(2,696,466.02)
5	876,360.36	472,756.15	5.00	675,000	(674,116.51)	(3,370,582.53)
6	911,414.77	437,701.73	8.00	1,080,000	(269,116.51)	(3,639,699.03)
7	947,871.36	401,245.14	8.00	1,080,000	(269,116.51)	(3,908,815.54)
8	985,786.22	363,330.29	8.00	1,080,000	(269,116.51)	(4,177,932.04)
9	1,025,217.66	323,898.84	8.00	1,080,000	(269,116.51)	(4,447,048.55)
10	1,066,226.37	282,890.13	8.00	1,080,000	(269,116.51)	(4,716,165.06)
11	1,108,875.43	240,241.08	10.00	1,350,000	883.49	(4,715,281.56)
12	1,153,230.44	195,886.06	10.00	1,350,000	883.49	(4,714,398.07)
13	1,199,359.66	149,756.84	10.00	1,350,000	883.49	(4,713,514.57)
14	1,247,334.05	101,782.46	10.00	1,350,000	883.49	(4,712,631.08)
15	1,297,227.41	51,889.10	10.00	1,350,000	883.49	(4,711,747.58)
16			12.00	1,620,000	1,620,000.00	(3,091,747.58)
17			12.00	1,620,000	1,620,000.00	(1,471,747.58)
18			12.00	1,620,000	1,620,000.00	148,252.42
19			12.00	1,620,000	1,620,000.00	1,768,252.42
20			12.00	1,620,000	1,620,000.00	3,388,252.42
	\$15,000,000.00	\$5,236,747.58		\$23,625,000	\$3,388,252.42	

The financing and rent is based on an assumed financing interest rate of four percent. By cursory examination of Table 1 above, the County is front-ending the capitalization of the building and facilities and fully recovering our investment, with an excess payment of nearly \$3.4 million over a 20-year lease period. The option to purchase between Years 10 and 17 will include a requirement that should World View opt to purchase the building, the accumulated deficit in our advancement of principal and interest payments must be fully repaid with interest over the period we have incurred a deficit at the stated long-term government investment pool rate. This is the interest rate the County would have received

on all funds, such as the fund balance or other funds reserved for purposes other than annual expenditure. In essence, the County is being made financially whole regardless of the option selected by World View; an early lease purchase or a full-term 20-year lease. Included in the \$15 million is not only the capital construction to build the facility, but all fees paid to the City and the County. Notable conceptual fee payments from this \$15 million are shown in Table 2 below. These estimates are relatively accurate but may vary.

Table 2: World View Headquarters Fee Payments.

Description	Amount
Wastewater Connection Fees	\$ 27,030
Water Connection Fee	10,600
Building/Site Development Permit Fees	446,000
Southland Impact Fees	566,370
Total	\$1,050,000

The building/site development permit fees will be paid to the County's Development Services Department. The Southland Impact Fees will be paid to the City of Tucson. The City Manager has committed these fees to the transportation facilities in the Sonoran Corridor.

In addition, the County has assigned a market value of the land being purchased through the possible lease/purchase of this site at approximately \$37,000 per acre, which compares to the initial purchase price of the property of \$16,000 per acre. Hence, amplifying the economic benefits associated with the County's acquisition of these lands to ensure future commercial and industrial users that are compatible with Raytheon operations.

Development of Pima County SpacePort Tucson

Of the 28 acres being occupied for World View expansion, 12 acres are dedicated to the manufacturing, assembly and administrative building of 135,000 square feet, plus site parking and an area for future building expansion. Sixteen acres are being set aside for a 700-foot diameter concrete launch pad. The World View building and manufacturing site will be under an operating agreement for World View uses. The launch pad will be used by World View for their purposes of vehicle launch, and they will have priority use of the launch pad. The SpacePort Operating Agreement and legal description are Attachment 5 to this memorandum. The launch pad will remain a public asset and be available for other commercial near-space or stratospheric uses consistent with Federal Aviation Administration (FAA) regulations and under the control of FAA Air Traffic Control. The process for federal spaceport approval has been initiated.

A 450-foot asphalt launch pad was originally planned; however, an optional 700-foot launch pad is desired. The County will prioritize development of the 700-foot diameter launch pad, and we intend to pursue grant opportunities to construct this larger launch pad. A larger pad will significantly increase the user base; not only for balloon flight operations, but also for the ability to launch and recover a variety of experimental vehicles. Likely most significant for World View is that the larger pad accommodates heavy-lift launches and human flights, which the smaller pad would not. A large, flat, protected and secured area is difficult to find, especially one that can be scheduled for use over periods of days and has utilities. The larger launch pad will be an asset to the Aerospace Park and southern Arizona in general, since the launch pad would qualify the site as a spaceport similar to other designations in other states that are home to space industry operations.

Selection of Project Architect and Contractor

During the recruitment process to offer World View facilities in Pima County, it was necessary to quantify their exact architectural program and space needs, as well as provide them with a reliable cost estimate for building construction. The County initially selected Swaim Associates, Ltd. Architects, AIA, with Principal Phil Swaim as the Lead Architect. Swaim Associates is the firm that provided architectural services for the integrated medical facilities at The University of Arizona, which included complex laboratory, aerospace and science facilities. The architectural services required by World View are closely aligned and technically similar to the work performed by Swaim for the University.

Barker Morrissey was selected during the proposal development process, since the firm has significant complementary project experience to that required by World View. Such projects include a two-phase new construction and renovation for Texas Instruments comprised of laboratory (including Class 1000 clean room space) and research and development space, as well as office space. Barker Morrissey also completed a 65,000 square foot research and development facility for Sion Power and a 60,000 square foot medical logistics and distribution center in the Marana area.

These two firms provided months of substantial services without compensation to provide the necessary architectural programming and design and cost models to determine the reliable size, configuration and cost of constructing World View's headquarters in Pima County.

Given the required facility delivery date of November 2016 and because of their prior involvement and detailed understanding of World View requirements, the County will now select Swaim Associates, Ltd. as the Project Architect and Barker Morrissey Contracting as the Contractor using the authority granted under A.R.S. § 34-606 Emergency Procurement and Section 11.12.060 of the Pima County Procurement Code, whereby the County has

determined that due to the compressed timeframe for design and construction of this facility, compliance with the full provisions of the statute is impracticable and contrary to the public interest . It has been determined the most expedient contract methodology for delivery of the facility is award of the Architectural Design Contract to Swaim Associates, Ltd. and a Construction Manager at Risk Contract to Barker Morrissey Contracting, Inc. for phased construction with multiple Guaranteed Maximum Price proposals as the project design progresses.

Arizona, Pima County and Tucson Achieve SpacePort Designation

Throughout the United States (US) there are a limited number of states that have any major entry into space technology. On a map of the US showing states that have entered the space technology industry, Arizona is noticeably absent (Attachment 6). Adding the World View facility and the 700-foot diameter spaceport launch pad makes Arizona, Pima County and Tucson viable competitors in the space technology industry. The facility will be named "SpacePort Tucson."

Recommendation

I recommend the Board of Supervisors take the following actions:

1. Approve the Lease/Purchase Agreement, including the Purchase Option, between Pima County and World View Enterprises, Inc. for the development of their manufacturing and administrative headquarters in the Aerospace, Defense and Technology Business and Research Park. The Lease/Purchase Agreement contains a provision for a separate first right of refusal purchase option for six acres immediately west of World View's manufacturing and administration complex for future expansion.
2. Approve the issuance of Certificates of Participation in an amount not to exceed \$15 million for the development, design, and construction of the World View Enterprises, Inc. manufacturing and administrative headquarters.
3. Approve the SpacePort Operating Agreement related to World View's operation of the spaceport on behalf of Pima County and authorize all necessary actions of the County to apply for a space port license and approval from the Federal Aviation Administration, as well as a construction-in-aid grant from the Aeronautic Division of the Arizona Department of Transportation to supplement County funding for construction of the spaceport.
4. Make the following awards:

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A. Swaim Associates, Ltd. Architects, AIA (Headquarters: Tucson, Arizona); Not to Exceed \$850,000, including a \$50,000 contingency; Contract term January 19, 2016 through February 28, 2017; for Architectural and Engineering Design Services.

B. Barker Morrissey Contracting, Inc. (Headquarters: Tucson, Arizona); Not to Exceed \$12,400,000, including attached fixtures and equipment and an \$800,000 Contingency; Contract term January 19, 2016 through February 28, 2017; for Construction Manager at Risk Services for both preconstruction and construction services.

The County will pay all fees now estimated at approximately \$1,050,000, as well as nongovernmental utility extensions estimated at \$700,000.

In order to expedite construction under these contracts, the Board of Supervisors approves the Procurement Director to execute any and all contracts, amendments and change orders to the contracts listed above within the dollar and term limits awarded by this action. Any amendment or change order resulting in a contract value or term in excess of the Board award will be submitted to the Board for approval.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – January 13, 2016

Attachments